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ESTIMATING YOUR SOCIAL SECURITY RETIREMENT CHECK

USING THE "INDEXING" METHOD

JANUARY 1986 EDITION

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Estimating your Social Security retirement check

You are probably wondering how much your Social Security checks wil be. You can get an approximate answer from the information in this leaflet.

The information given here is limite to retirement checks for workers who reach 62 after 1982. Specific estimates can be made by people who reach 62 in 1983 through 1986. People who reach 62 after 1986 can also make an approximate estimate of their benefit. But the estimate will not be as accurat because of future changes in the cost of living and wages. Social Security also pays disability and survivors benefits, but for information about these benefits, call any Social Security offic

Under the method of figuring benefits described in this leaflet, actual earnings for past years will be adjusted or indexed to take account of changes in average wages since the year the earnings were received. These adjusted earnings are averaged together and the benefit rate figured from this average. The indexing method of figuring benefits is intended to insure that benefits will reflect changes in wage levels over a person's working lifetime and will have a relatively constant relationship to pre-retirement earnings.

READEX FICHE

Benefits for workers who reach 62 in 1979 through 1983 are figured two ways; under the method described in this leaflet and under the method described in the leaflet, *Estimating your Social Security retirement check for workers who reach 62 in 1979-83.* You receive whichever benefit is higher. The method described in this leaflet will generally result in a higher benefit for most workers.

The method described in this leaflet up through Step 7 on page 8 can be used by all workers who reach 62 after 1979. The formula used in Step 8 to figure the benefit rate applies only to workers who reach 62 in 1983-86. People who reach 62 after 1986 cannot figure a specific estimate based on the figures provided in this leaflet. An approximate estimate can be made by using Step 8 for workers who reach 62 in 1986.

The formula in Step 8 of this leaflet cannot be used to estimate benefits by people who reach 62 after 1985 and who also become eligible after 1985 for a pension based on work not covered by Social Security. For information on the formula to be used, contact any Social Security office and ask for the leaflet, *How your Social Security check is affected by a pension—from work not covered by Social Security.*

All benefit rates estimated by following the steps in this pamphlet are effective beginning December 1985 (checks payable in January 1986 or later).

Worksheet

			You reach 62 in			
	A	B	C	C	C	D
YEAR			1983	1984	1985	1986
1951	3,600		4.9	5.2	5.4	5.8
1952	3,600		4.6	4.9	5.1	5.4
1953	3,600		4.4	4.6	4.9	5.1
1954	3,600		4.4	4.6	4.8	5.1
1955	4,200		4.2	4.4	4.6	4.9
1956	4,200		3.9	4.1	4.3	4.6
1957	4,200		3.8	4.0	4.2	4.4
1958	4,200		3.7	4.0	4.1	4.4
1959	4,800		3.6	3.8	4.0	4.2
1960	4,800		3.4	3.6	3.8	4.0
1961	4,800		3.4	3.6	3.7	3.9
1962	4,800		3.2	3.4	3.6	3.8
1963	4,800		3.1	3.3	3.5	3.7
1964	4,800		3.0	3.2	3.3	3.5
1965	4,800		3.0	3.1	3.3	3.5
1966	6,600		2.8	2.9	3.1	3.3
1967	6,600		2.6	2.8	2.9	3.1
1968	7,800		2.5	2.6	2.7	2.9
1969	7,800		2.3	2.5	2.6	2.7
1970	7,800		2.2	2.3	2.5	2.6
1971	7,800		2.1	2.2	2.3	2.5
1972	9,000		1.9	2.0	2.1	2.3
1973	10,800		1.8	1.9	2.0	2.1
1974	13,200		1.7	1.8	1.9	2.0
1975	14,100		1.6	1.7	1.8	1.9
1976	15,300		1.5	1.6	1.7	1.7
1977	16,500		1.4	1.5	1.6	1.6
1978	17,700		1.3	1.4	1.4	1.5
1979	22,900		1.2	1.3	1.3	1.4
1980	25,900		1.1	1.2	1.2	1.3
1981	29,700		1.0	1.1	1.1	1.2
1982	32,400		1.0	1.0	1.0	1.1
1983	35,700		1.0	1.0	1.0	1.1
1984	37,800		1.0	1.0	1.0	1.0
1985	39,600		1.0	1.0	1.0	1.0
1986	42,000		1.0	1.0	1.0	1.0
1987	42,000*		1.0	1.0	1.0	1.0
TOTAL						$

*The maximum amount of annual earnings that counts for Social Security rises automatically as earnings levels increase. Because of this, the base in 1987 and later may be higher than $42,000.

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Here's how

to estimate the amount

Follow the directions below and you'll find out th approximate amount of the monthly ch ecks you'll get from Social Security a ter you retire.

Step 1

The amou of your check is based on your earnit gs over a period of years. Based on t e year you were born, pick the numbe of years you need to count from the fo lowing chart:

Retirement b nefits

Year you w re born	Years needed
192	27
192	28
192	29
192	30
1929 or	31
*Maximum n ater	35*

mber of years that count

Step 2

Fill in the v orksheet for the year you reach 62. C column "A" shows maximum earnings c vered by Social Security. In Column "B ning with 1" list your earnings begin- no earning 51. Write "0" for a year of the maximu. If you earned more than maximum fm in any year, list only the earnings fo r each year. Estimate your any years y future years, including Stop with th u plan to work past 65. plan to reti e year before you retire or e.

Step 3

Multiply the amount in Column B (not to exceed the maximum) for each year by the factor in Column C for the year you reach 62. Write the result in Column D.

Step 4

Cross off your list, in Column D, the years of your lowest earnings until the number of years left is the same as your answer to Step 1. (You may have to leave some years of "0" earnings on your list.)

Step 5

Add up the earnings for the years left on your list. Write this figure in the space marked TOTAL at the bottom of the worksheet and here.

$ _____

Step 6

Divide this total by the number you wrote for Step 1. The result is your average indexed *yearly* earnings covered by Social Security. Write the figure here.

$ _____

Step 7
Divide your average indexed yearly earnings by 12. The result is your *average indexed monthly earnings.* Round the result to the next lower dollar. Write your figure here.

$ _____

Step 8 (for workers who reach 62 in 1983)

Multiply the first $254 of your average indexed monthly earnings by 90 percent. Write the result here.

$ _____

Multiply the next $1,274 of your average indexed monthly earnings by 32 percent. Write the result here.

$ _____

Multiply any remaining amount by 15 percent. Write the result here.

$ _____

Add the figures. Round the total to the next lower dime. Write your answer here. Total: $ _____ This is the estimate of your basic benefit.

You are eligible for "cost-of-living" increases starting with the year you reach 62. To figure your benefit rate as of December 1985, multiply your total by 1.104.

Round to the next lower dollar. This is the estimate of your age 65 benefit (excluding any "cost-of-living" increases after 1985).

$ _____

Step 8 (for workers who reach 62 in 1984)

Multiply the first $267 of your average indexed monthly earnings by 90 percent. Write the result here.

$ _____

Multiply the next $1,345 of your average indexed monthly earnings by 32 percent. Write the result here.

$ _____

Multiply any remaining amount by 15 percent. Write the result here.

$ _____

Add the figures. Round the total to the next lower dime. Write your answer here. Total: $ _____ This is the estimate of your basic benefit.

You are eligible for "cost-of-living" increases starting with the year you reach 62. To figure your benefit rate as of December 1985, multiply your total by 1.067.

Round to the next lower dollar. This is the estimate of your age 65 benefit (excluding any "cost-of-living" increases after 1985).

$ _____

Step 8 (for workers who reached 62 in 1985)

Multiply the first $280 of your average indexed monthly earnings by 90 percent. Write the result here.

$ _____

Multiply the next $1,411 of your average indexed monthly earnings by 32 percent. Write the result here.

$ _____

Multiply any remaining amount by 15 percent. Write the result here.

$ _____

Add the figures. Round the total to the next lower dime. Write the answer here. Total: $ _____ This is the estimate of your basic benefit.

You are eligible for "cost-of-living" increases starting with the year you reach 62. To figure your benefit rate as of December 1985, multiply your total by 1.031.

Round to the next lower dollar. This is the estimate of your age 65 benefit (excluding any "cost-of-living" increases after 1985).

$ _____

Step 8 (for workers who reached 62 in 1986)

Multiply the first $297 of your average indexed monthly earnings by 90 percent. Write the result here.

$ _____

Multiply the next $1,493 of your indexed monthly earnings by 32 percent. Write the result here.

$ _____

Multiply any remaining amount by 15 percent. Write the result here.

$ _____

Add the figures. Round the total to the next lower dime. Write your answer here. Total: $ _____ This is the estimate of your basic benefit.

You are eligible for "cost-of-living" increases starting with the year you reach 62.

Round to the next lower dollar. This is an estimate of your age 65 benefit (excluding any "cost-of-living" increases).

$ _____

If you choose benefits before 65

If you choose to receive retirement benefits before 65, your basic benefit is permanently reduced. The amount of the reduction depends on the number of months you receive benefits before 65. For example, the reduction is 20 percent if benefits start at 62; 13⅓ percent at 63; and 6⅔ percent at 64.

Wives' and husbands' benefits

The benefit for your wife or husband at 65 is one-half of your 65 benefit, rounded to the next lower dollar. If your wife or husband starts to get benefits before 65, the benefit is permanently reduced. The amount of reduction depends on the number of months he or she receives benefits before 65. For example, the reduction is 25 percent if benefits start at 62; 16⅔ percent at 63; and 8⅓ percent at 64.

The "notch" effect

The so-called "notch" refers to the situation in which some workers born in 1916 and earlier—with benefits figured under the method in effect before the 1977 amendments—receive higher monthly benefits than workers born in 1917 and later who have similar earnings histories and who retire at the same age with benefits figured under the new indexing method.

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The "notch" is not the transitional provision, which is also a part of the 1977 amendments. Under this provision, benefits for workers who were born between 1917 and 1921 are figured two ways—under the new indexing method and under a modified version of the method in effect before the 1977 amendments. Workers in these age groups are paid a benefit rate based on the higher of the two calculations. Workers born after 1921 have their benefits figured only under the indexing method.

For more information

The information contained in this leaflet is complex. If you need assistance in estimating your benefit, contact your local Social Security office.

U.S. Department of Health and Human Services
Social Security Administration
SSA Publication No. 05-10070
January 1986